

**Minutes of the
Education Audit Appeals Panel**
Monday, August 24, 2015
915 L Street, Cedar Room
Sacramento

Call to Order and Roll Call

Chair David Botelho called the meeting to order at 1:30 p.m.

Panel members present: David Botelho, designee of the Director of the Department of Finance; Nick Schweizer, designee of the Superintendent of Public Instruction; and Joel Montero, Chief Executive Officer of the Fiscal Crisis and Management Assistance Team.

Review of Agenda

Mr. Botelho read out the agenda items. It was noted that there would be no closed session.

Approval of Minutes

Action: The Panel members unanimously approved the minutes of the July 27, 2015 meeting.

Item 1	Report of the Executive Officer <ol style="list-style-type: none">1. Summary of appeal activities2. Apportionment significant findings: audit reports and RDAs3. Other items of interest	Information
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Executive Officer Mary Kelly reported that since the last meeting, no new summary review requests were filed; one determination was made, no relief was granted in the Terra Bella Union ESD case; and no new formal appeals were filed.

Item 2	Public Participation <p>This time is reserved for any person to address the Panel. If the subject is on the Public Session Agenda, individuals may comment now or at the time the item is considered. If the subject is not on the Public Session Agenda, the Panel is not empowered to take action on it. Public comment is limited to 3 minutes per speaker; the Panel may extend the limit by a uniform amount per speaker.</p> <p>No comment will be taken on matters at issue in items on the Closed Session Agenda, or on any pending adjudicatory proceeding.</p>	Information
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There were no comments from the public.

Item 3	Legislation Report Discussion and action as appropriate regarding any legislation that may affect EAAP	Information Action
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Ms. Kelly reported that there was no legislation to discuss.

Item 4	<i>Permanent</i> Regulations: 2015-16 Audit Guide: Discuss comments received during the 45-day notice period, which ended August 3, 2015; take action as appropriate to adopt or amend the proposed regulations.	Information Action
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Ms. Kelly stated that the 2015-16 emergency regulations and audit guide were filed with the Secretary of State and effective May 21, 2015. The Permanent regulations for 2015-16, adopting the same audit guide, were noticed on June 19, with a 45 day comment period that ended August 3, 2015.

Ms. Kelly reported that during the comment period one submittal was received, from the California League of Bond Oversight Committees (CalBOC). She said that CalBOC requested that the Appendix, dealing with Local School Construction Bond Audits, be amended. Specifically, they suggested that the term “including program effectiveness and results” be added to the objectives of performance audits. CalBOC’s request contends that it was the intent of the legislature that annual audits include performance measures in addition to compliance steps.

Ms. Kelly stated that CalBOC’s analysis cites the language of Prop 39, “requiring an annual, independent performance audit to ensure that the funds have been expended on specified projects only.” Their comment also cites the government auditing standards related to performance audits and the definition of the four types of performance audits. CalBOC’s request states that that program effectiveness and results audit objectives would be most useful to citizen oversight committees.

Ms. Kelly stated that EAAP staff analysis found that as currently crafted, the Appendix contains language that meets the legislative intent of SB 584, which required that beginning in 2015-16, the annual audit guide contain the measures related to the required financial and performance audits for specified school facility projects. Additionally, staff contacted the State Controller’s Office, Office of Public School Construction, Department of Finance audit and budget staff and read legislative staff analysis related to SB 584. She said that based on that research, staff determined that the language in the appendix reflects the language included in Prop 39, and the language suggested by CalBOC goes beyond the scope of the required performance audit.

Ms. Kelly stated that the language included in the Appendix was vetted extensively by the audit guide committee, and all participants agreed on the language. Included on the audit guide committee were staff of the Department of Finance who followed SB 584 as it was going through the legislative process. There was no intent to include program effectiveness and results measures, the discussion being only to increase the robustness of the close out desk

reviews currently performed by the Office of Public School Construction. She noted that, as worded, the Appendix is in compliance with the definition of a performance audit as described the Government Auditing Standards.

Ms. Kelly stated that in the opinion of EAAP staff, an audit of program effectiveness and results conducted on an annual basis, as requested by CalBOC, is not required, would be excessive, and was not the legislative intent of the words “performance audit.” Ms. Kelly reported staff recommendation that the audit guide be adopted with no changes made, or that the Panel consider the revision drafted by staff which puts the responsibility on a school’s governing board to determine if and when the scope of an annual audit should include program effectiveness and results measures.

Mr. Montero stated that while there would be value in such an audit as suggested by CalBOC, each district has the ability to conduct that level of audit at any time, and that it would be cumbersome and costly to require such an audit be conducted annually for each district.

Ms. Kelly stated that the other suggested change to the Audit Guide is to *Section W Unduplicated Local Control Funding Formula Pupil Counts* which was revised to ensure that the audit guide properly reflects the 1.18 report that will be used in 2015-16. (CALPADS Report 1.18 – *FRPM/English Learner/Foster Youth – Student List*). She added that the Department of Education verified that the modifications were made to 1.18, and that the audit steps should be changed to match the report.

Action: By unanimous vote, the Panel adopted the proposed Permanent Regulations, including the Section W changes, for the 2015-16 Audit Guide.

Item 5	Next Meeting	Information Action
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The Panel’s next meeting is tentatively scheduled for Monday, October 26, 2015, at 1:30 p.m.

Adjournment

Mr. Botelho adjourned the meeting at 1:52 p.m.